Top magazines report big gains in ad dollars

By Ira Teinowitz

This year may turn out to be a glorious one for magazine advertising, the Publishers Information Bureau reports.

PIB last week said that through Aug. 31, 141 of the nation's top 165 magazines showed increases in ad dollars, while double-digit gains were common.

Of the top 20 revenue-producing magazines, double-digit gainers include *People*, up 13.1%; *Business Week*, up 16.6%; *Fortune*, up 21.3%; *Family Circle*, up 17.0%; *U.S. News & World Report*, up 20.1%; *Good Housekeeping*, up 12.5%; *Forbes*, up 20.6%; *Cosmopolitan*, up 11.6%; *Woman's Day*, up 25.3%; *Ladies' Home Journal*, up 26.6%; *Vogue*, up 14.9%; and *McCall's*, up 33.1%.

The few losers in the top 20, however, included two of the nation's largest magazines. *TV Guide* was down 0.7%, and *Reader's Digest* was down 1.6%. *Money* was also down 1.2%.

PIB revenue figures can, by nature, be somewhat optimistic. Dollar estimates are calculated based on ad pages at published category rates and don't reflect the discounting common at magazines.

Still, the overall revenue growth of 12% through August to $4 billion for the nation's 165 top revenue magazines is healthy. Ad pages were up 4.2%.

"Whether or not the [revenue] numbers are exactly right, the per cent changes are right on the nose," said James Guthrie, exec VP of the Magazine Publishers of America.

Mr. Guthrie said the MPA's own analysis of first-quarter numbers shows magazines are capturing a growing share of ad dollars, a trend he expects to continue.

"The '90s will be the decade of magazines as more and more advertisers look to niche marketing and tighter definitions of customers," he said.

Mr. Guthrie said magazines have seen the biggest gains in food advertising, where newspapers have been losing.

Overall, network TV has been the main loser, with business from travel companies and beer and wine producers off, he said.

Mr. Guthrie said the shift in dollars from promotions to brand advertising has also benefited magazines.

"Major food manufacturers are going for brand equity building instead of the short-term burst for price considerations," he said.

The growth was also apparent in newspaper supplements with *Parade* up 16.4% in revenues and *USA Weekend* up 22.2%. □

'Apartment Life' suits Chevy

By Scott Hume

Recognizing that not all young adults trade up from apartment living to home ownership, Meredith Corp. is reviving *Apartment Life*.

The magazine will go on sale nationally Oct. 31 with a cover price of $2.95, distribution of 350,000 copies and a single advertiser, General Motors Corp.'s Chevrolet division (AA, Sept. 18).

Chevrolet bought 20 pages of ads in the first issue, which will have a total folio of 128 pages. A second issue is planned for May, again solely sponsored by the automaker. After that, Meredith hopes *Apartment Life* will become a quarterly.

"There are no long-term contracts signed, but we hope we can work with Chevrolet through 1990" for a total of four issues, said Jerry Ward, who heads Meredith's Better Homes & Gardens Special Interest Publications group and who serves as publisher of *Apartment Life*.

Mr. Ward declined to detail the cost of the buy.

Meredith in 1969 launched *Apartment Ideas*, an every-other-monthly that it renamed *Apartment Life* a year later. In 1981, the publication was retooled as a more upscale magazine called *Metropolitan Home*.

"The new *Apartment Life* will still target young singles, couples and marrieds ages 20 to 35, but with a broader focus than before," Mr. Ward said. Besides furnishings, the magazine will cover travel, food, fashion, fitness and music, he said. □

Magazine ad-page leaders

Publishers Information Bureau figures for January through August.

Rank	Magazine	Revenue	% chg	Pages	% chg
1	Time	$221,048,966	7.9	1,634.23	10.0
2	Sports Illustrated	205,522,645	3.3	1,826.43	0.3
3	People	198,494,386	13.1	2,315.68	6.1
4	TV Guide	194,397,868	(0.7)	1,954.43	(6.1)
5	Business Week	149,510,886	16.6	2,728.06	5.3
6	Newsweek	146,288,447	4.5	1,435.10	(2.2)
7	Fortune	98,573,945	21.3	2,185.73	16.4
8	Better Homes & Gardens	95,777,510	2.2	903.98	1.9
9	Family Circle	91,555,047	17.0	1,234.12	13.7
10	U.S. News & World Report	88,153,989	20.1	1,194.64	9.5
11	Good Housekeeping	86,152,398	12.5	975.98	3.1
12	Forbes	84,579,338	20.6	2,069.83	8.9
13	Cosmopolitan	79,961,060	11.6	1,484.85	0.1
14	Woman's Day	78,777,263	25.3	1,087.24	12.8
15	Reader's Digest	70,327,214	(1.6)	589.61	(10.1)
16	Ladies' Home Journal	63,951,494	26.6	982.16	21.1
17	Glamour	58,542,120	6.1	1,263.50	(4.0)
18	Vogue	54,860,523	14.9	1,832.55	0.7
19	McCall's	48,769,985	33.1	725.49	21.7
20	Money	47,708,269	(1.2)	786.03	(8.3)
21	Golf Digest	45,935,064	15.2	948.23	4.4
22	Redbook	45,268,981	7.8	723.39	(3.1)
23	Rolling Stone	42,819,805	14.8	1,220.18	7.5
24	Southern Living	40,571,719	2.2	876.48	(6.7)
25	Bride's	39,024,877	23.7	2,373.94	14.3
26	Parents	36,754,532	19.7	937.15	10.5
27	Car & Driver	34,903,715	16.7	864.02	3.1
28	Elle	34,583,389	15.5	1,253.69	(0.1)
29	Life	34,346,250	17.8	493.93	11.2
30	Mademoiselle	31,186,014	0.5	1,054.94	(7.0)
31	Travel & Leisure	30,945,671	18.7	903.27	12.4
32	Playboy	29,718,518	22.5	490.23	17.3
33	Modern Maturity	29,170,949	17.1	157.11	12.2
34	Sunset	29,034,316	(4.8)	1,011.70	(3.2)
35	The New Yorker	28,570,785	4.1	1,231.40	(4.4)
36	Modern Bride	28,337,306	25.2	1,835.82	14.2
37	Inc.	27,819,485	13.5	733.95	1.9
38	Seventeen	27,802,513	1.8	967.63	(4.9)
39	GQ	27,782,104	19.2	1,237.85	6.9
40	Architectural Digest	27,738,930	11.3	1,113.64	1.4
41	Country Living	27,561,146	24.0	707.99	5.7
42	New York Magazine	27,231,886	6.1	1,793.41	(0.1)
43	Road & Track	26,055,847	23.5	822.60	5.1
44	Self	25,751,327	16.9	828.67	7.7
45	Field & Stream	25,622,382	9.0	597.02	(5.2)
46	Smithsonian	25,381,463	3.7	616.22	(4.4)
47	Ebony	24,973,061	(0.2)	784.34	(2.2)
48	Golf	24,258,152	20.7	879.81	21.8
49	Motor Trend	22,115,523	16.3	679.73	3.6
50	National Geographic	22,032,845	(5.0)	153.54	(8.0)
51	Vanity Fair	21,932,675	50.9	762.28	20.9
52	Metropolitan Home	21,814,130	27.6	765.14	19.8
53	Esquire	20,875,067	26.7	724.56	16.0
54	Popular Mechanics	20,008,439	11.6	628.18	0.5
55	Harper's Bazaar	19,119,688	5.3	765.51	(3.7)
56	Working Woman	18,993,921	8.1	660.94	(2.4)
57	Town & Country	18,776,264	9.7	894.87	(1.4)
58	Popular Science	18,642,579	31.8	674.59	27.8
59	Bon Appetit	18,421,756	14.0	630.03	4.0
60	W	18,098,092	16.4	897.69	7.1
61	Outdoor Life	17,984,493	17.0	637.81	8.3
62	Cable Guide	17,971,958	1.0	276.74	14.6
63	Gourmet	17,190,071	10.5	707.29	(3.4)
64	House Beautiful	16,633,127	10.0	503.15	1.7
65	Hot Rod	16,483,967	17.6	740.60	(0.3)
66	Muscle & Fitness	15,817,593	53.0	1,049.01	1.3
67	New Woman	15,455,194	15.0	665.23	1.7
68	Penthouse	15,141,273	19.6	383.04	11.8
69	US	14,174,028	46.6	478.26	20.1
70	Popular Photography	14,071,347	3.1	658.83	6.3
71	Delta Sky	13,799,857	4.0	578.90	(5.6)
72	Omni	13,078,999	10.0	445.12	(4.6)
73	House & Garden	12,956,552	(7.9)	539.86	(19.5)
74	Condo Nast Traveler	12,892,398	69.3	549.33	48.3
75	Prevention	12,777,277	2.8	404.46	(10.1)
76	Essence	12,706,575	3.3	576.91	(4.3)
77	American Way	12,505,210	11.4	1,137.61	5.1
78	Star Magazine	12,156,350	24.8	378.40	17.4
79	Home	11,901,645	8.3	452.78	(3.8)
80	Jet	11,715,686	(7.1)	750.42	(10.5)
81	1,001 Home Ideas	11,514,267	20.8	451.92	6.6
82	Tennis	11,351,595	2.9	526.05	(15.0)
83	Economist	10,819,550	11.5	1,416.10	0.7
84	Working Mother	10,606,031	10.8	537.19	0.2
85	Bicycling	10,441,600	20.0	879.39	(0.7)
86	Food & Wine	10,295,350	39.2	456.81	19.0
87	Beermaster	10,073,902	2.8	566.53	(3.1)
88	Changing Times	9,462,540	(11.0)	381.70	(10.9)
89	Financial World	2,445,017	32.7	486.91	0.2
90	Entrepreneur	9,400,422	62.6	1,212.86	49.4
91	Sports Afield	9,018,539	12.6	504.73	(15.2)
92	Texas Monthly	8,974,639	8.6	617.35	3.0
93	American Health	8,699,515	14.4	467.02	8.9
94	Nation's Business	8,450,425	18.9	290.19	9.6
95	Skin Diver	8,398,175	2.3	949.64	0.0
96	Connoisseur	8,283,190	11.4	525.13	(10.9)
97	Country Home	8,225,680	30.8	268.73	31.5
98	Home Mechanix	7,874,584	(8.8)	375.22	(4.4)
99	Business Month	7,798,753	33.1	258.99	4.5
100	Black Enterprise	7,566,416	4.1	622.46	1.5

Percent Change is compared from January through August 1988 pages by PIB.
Source: Publishers Information Bureau

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Source: Arbitron, May 1989, sign-on to sign-off. AGB 1988 Telemundo Product Usage Study, New York ADI.

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Burger King ads will count

By Scott Hume

Burger King Corp.'s new ad campaign has the potential to significantly boost the No. 2 burger chain's market position.

A nationwide poll of consumers shows that a significant percentage already patronize Burger King, that those who do are overwhelmingly positive about the chain and that advertising can influence many consumers' choice of which chain they visit.

In other words, those who patronize Burger King like it. If the company's new marketing strategy can attract a significant number of new customers, the opportunity exists to improve Burger King's 17% share of the $60 billion fast-food market.

For the survey, conducted in May for *Advertising Age* by the Gallup Organization, a random sample of 1,000 adults was asked how many times in the previous 30 days they'd visited a Burger King, either eating in or using a drive-through window.

Overall, 44% said they'd visited at least once, 46% said they hadn't and 10% declined to answer. For those who'd visited a Burger King, the mean number of visits was nearly three times (2.96).

Burger King's strongest adult patronage base (as with most fast-food chains) comes from people ages 18 to 34: 59% of this group said they had visited the chain at least once.

The mean number of visits during the previous 30 days also was highest among this group: 3.2 times.

Not surprisingly, the numbers fall off for older consumers. Among respondents ages 35 to 54, 44% had visited at least once, 45% hadn't been to a Burger King and 11% had no answer. The mean number of visits for middle-age consumers was 2.79.

Less than one-quarter of consumers ages 55 or older said they'd eaten at Burger King during the previous month; 63% hadn't visited and 14% had no reply.

But, while the patronage base among this group was relatively low, Burger King still has its share of regulars from its ranks: mean number of visits from older patrons was 2.49.

Burger King is most popular in South Central states, where the mean number of visits was 3.44. The chain has the biggest opportunity for improvement in the Midwest and North Central states, where the mean was 2.55 visits.

As any retailer knows, customer traffic is worthless without customer satisfaction. But Burger King patrons like the restaurants.

Overall, 86% of those who'd visited Burger King at least once rated their most recent visit a pleasant experience. That includes 83% of men surveyed and 88% of women.

Positive word-of-mouth advertising from these satisfied patrons can help but hasn't been enough to significantly boost Burger King's sales.

That's where the new ad messages come in, and the survey reveals the extent to which ads can have an impact.

Respondents were asked to rank the power of a chain's advertising to influence their choice of which fast-food restaurant to visit.

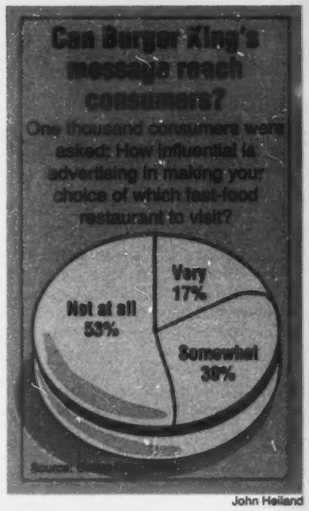
Seventeen percent of the sample rated advertising very influential in their decision-making, and another 30% said it's somewhat influential. But a little more than half (53%) said advertising has no influence on them.

Significantly, the key demographic group—adults 18 to 34—are the most apt to be swayed by ads: 21% rated ad messages very influential.

Burger King recently reassigned its Hispanic ad account to Sosa & Associates, San Antonio, Texas, an assignment the survey shows to have especially high potential. While 15% of the white consumers polled rated advertising very influential, 41% of Hispanic consumers rated ad messages a significant influence.

Among black consumers, 30% said their choice of a fast-food restaurant was very likely to be influenced by the ads they see and hear.

The phone survey has a margin of error of 3.1%. □


Can Burger King's message reach consumers?
One thousand consumers were asked: How influential is advertising in making your choice of which fast-food restaurant to visit?
Very 17%
Somewhat 30%
Not at all 53%
John Holland

BK's strategy

(Continued from Page 1)

ceo by Grand Metropolitan after its $5.79 billion acquisition of Pillsbury Co. last December.

The status quo was "unacceptable not just as far as [declining sales at] a few restaurants here and there," Mr. Gibbons continued. "The kind of status quo I'm talking about is the whole attitude that pervaded the management and operations. That has had to change, and this [campaign] is part of it.

"It's not just an ad campaign. It's a bit of a rallying call. It's saying, 'This is the personality you need to recognize when you think of Burger King in the 1990s.' "

The first phase of that personality change includes eight TV commercials (four 30-second spots, four running in both 30- and 60-second versions) produced by the rule-breaking tandem of national agencies hired in May.

Saatchi & Saatchi Advertising, New York, assigned oversight of "brand retailing" ads, created five of the eight spots ("Mr. Mom," "Perfect Date," "Carrier," "Rehearsal" and "Ship/Doubles").

D'Arcy Masius Benton & Bowles is represented by three spots ("Garage," "Nightwatchman" and "Wrong Number") in its role as "brand identity" agency.

What they all share, said Burger King VP-Creative Jeff Myers, is "a more contemporary, hipper way to embody Burger King. This is not 'How fast can we get people to memorize a jingle?' because there is no jingle. This campaign is about getting people to think differently about Burger King."

In addition to the network TV effort, Burger King on Oct. 1 began a massive radio campaign that it says means an average 150 spots a day in every major market for two weeks.

Burger King will spend up to 20% of its approximately $150 million media budget in the next 12 months on radio, by far its largest commitment to that medium, executives said.

D'Arcy created the radio spots, featuring individualized versions of a basic musical theme by such artists as the Fabulous Thunderbirds, John Lee Hooker, Paul Shaffer and the World's Most Dangerous Band, and Mel Torme.

Tone-Loc is one of the artists featured in spots from Uni-World Group, New York, and Sosa & Associates, San Antonio, Texas, has created a series of Hispanic music tracks.

The eight TV commercials breaking Oct. 4 are intended to reshape Burger King's image. Even "Ship/Doubles," introducing the new BK Doubles sandwiches (AA, Sept. 25), downplays the traditional product shots in favor of humor.

"When 96% of the American public knows what a Whopper is, why am I going to spend time on the tube telling them what they already know?" said Gary Langstaff, exec VP-marketing. "We said, 'No, we're going to change the dialogue.' We're going to entertain and, yes, we're going to inform, and we're going to do it with a sense of humor, a little lightness and a wink of the eye. And we're going to be provocative in terms of executional technique."

"When 96% of the American public knows what a Whopper is, why am I going to spend time on the tube telling them what they already know?"

Burger King—currently offering a different sandwich each day for 99¢—will still selectively use discount promotions, Mr. Langstaff said. But he's determined discounting won't be the rule.

"This business is wedded to the idea that you've got to show the product [on TV] for 24 seconds and, worse, discount it to get people's attention, both of which I think are fundamentally stupid executions," Mr. Langstaff said.

"Discounting has evolved from tactic, where it has a very viable role, to strategy. It's the stupidest thing I've ever heard," he said. "And the tragedy of it is that with the advent of the microwave, the quality credentials of our business went up because consumers were changing the way they're preparing food at home.

"We didn't do a damn thing different, but yet we benefited from the changing environment at home. And now we're about to blow it because the marketing geniuses [in this industry] can't find a way to get out [of discounting]."

Mr. Langstaff acknowledged he and Burger King raised some eyebrows by "breaking rule No. 1 in hiring agencies by hiring two." He pointed to the new creative as proof the decision was a sound one, though he admitted it was a "management challenge."

"The key [to the two-agency split] was managing the [creative] process, and that was where Jeff Myers became so important," Mr. Langstaff said. "It was a tough job. The challenge was it has to be managed, because if it wasn't managed it was going to spin out of control.

"You had capabilities but also powerful egos" at the two shops, he said.

The dual agency setup "worked better than we expected," Mr. Myers said. "There's no denying that it took some work and attention, but the focus was on getting the job done.

"We hired two of the best general-market agencies money could buy," he said, smiling. "And, yes, they have primary and secondary responsibilities. But there's no chart that says, 'OK, you can do this but, no, not that, work.' "

"We all have had equal input," said UniWorld President Herb Kemp. "Everything has been a matter of 'Here's where we are, here's where we want to go. Who can do it best?' "

Said Harvey Hoffenberg, Saatchi vice chairman-executive creative director: "This [team concept] isn't about dividing things up. We agreed on an attitude, a tone of voice that all the advertising needed to carry, and we've kept focused on that."

"And the result is that we've wrested away creative leadership," said Saatchi Exec VP Richard Pounder. "This advertising is better and fresher than anything coming out of Oak Brook [Ill., headquarters for McDonald's Corp.].

"It has a better standard of energy and reward than consumers are getting from the guy resting on his laurels. It'll hit them [McDonald's] shortly: They've lost it, gang." □

DMB&B

(Continued from Page 3)

trying to build your creative reputation, you need to be prepared to make those sorts of investments."

Judy Wald, president of the Judy Wald Agency, a recruiter specializing in placement of agency creatives, said top creative people are more in demand now than ever.

Ms. Wald contended that large shops like D'Arcy and Saatchi & Saatchi Advertising—Burger King's other shop—are hurting for talent.

"Obviously, neither one of those agencies was known for brilliant, fantastic creative," she said. "They both have to shore up, they feel, and put the emphasis back on the creative product."

Ms. Wald has been working with both agencies on their creative searches. She declined to discuss specifics of the D'Arcy offer.

Since being awarded the Burger King account, D'Arcy has hired John Neiman, the former McCann-Erickson Worldwide exec VP-executive creative director, as vice chairman-chief creative officer of its USA division.

The agency also hired several senior creatives to work exclusively on the Burger King business, including Senior VP-Creative Director David Hale from J. Walter Thompson USA; Senior VP-Associate Creative Directors David Levine from McCann and Nick Vitale from Lintas:New York; and VP-Executive Producer and Associate Creative Director Bruce Davidson from Backer Spielvogel Bates *(see item on Page 50)*.

Mr. Neiman's package was richer than the one that was turned down, but the rest of those hired got less than the rejected offer, sources said.

Mr. Neiman declined to comment on his compensation package.

At most agencies, a separate creative staff for one account would be unusual, but D'Arcy earlier this year divided its New York office into a number of mini-agencies, some handling one or two clients.

Saatchi also lured a new creative director earlier in the year with a rich pact, Vice Chairman Harvey Hoffenberg, formerly at BBDO Worldwide. Mr. Hoffenberg, however, works on many of the agency's accounts in addition to Burger King.

D'Arcy also hired creative talent to work on General Foods USA's $50 million Maxwell House coffee account it won in May, led by Senior VP-Creative Director Michael Shevack, also from BBDO.

Mr. Wilhite said by spending money on big-ticket talent, the agency is sending a message to the industry.

"If we can communicate to the outside world the fact that we are able to attract, satisfy and give long-term sustenance to people of the ilk of David Hale, Nick Vitale, David Levine and Michael Shevack, that is going to say to their peers in the marketplace that DMB&B/USA, specifically the New York office, is a place where I, too, can feel comfortable," Mr. Wilhite said.

"I think that would be a change in perspective on the part of a lot of folks who heretofore did not view the agency in that way," he added.

D'Arcy isn't the only big agency in the market for senior creative help. Ogilvy & Mather and Grey Advertising are looking for top creative directors, and if D'Arcy's lucrative offer is any indication, both will have to pay top dollar to lure big names from other agencies.

"That's what you've got to pay these days to get the right guy at the right time," one agency executive said. □

NEWSPAPER

Advertising Age

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Y&R hit by U.S. indictment

New York chief Klein also charged in tourism-ad case

By Jon Lafayette

Young & Rubicam, the nation's largest ad agency, and one of its top executives were indicted Friday on federal conspiracy and racketeering charges in an alleged kickback scheme involving the Jamaica Tourist Board.

Two former Y&R executives also were indicted along with two Jamaicans with ties to the tourist board.

Y&R denied the allegations.

The indictment was handed down by a federal grand jury in New Haven, Conn.

Arthur Klein, president of Y&R's flagship New York office; Thomas Spangenberg, a former senior VP-management supervisor; and the agency itself were charged with conspiring to violate the Foreign Corrupt Practices Act.

All three were accused of violating the federal Racketeer Influenced & Corrupt Organization Act, originally designed to combat organized crime but also used to prosecute white-collar crimes.

The two Jamaicans, former Tourism Minister Eric Anthony Abrahams and businessman Arnold Foote Jr., were charged with RICO violations, while Steven McKenna, former Y&R senior VP now at subsidiary Wunderman Worldwide, was indicted for perjury.

Another Y&R executive, VP-Account Supervisor Edward J. Daley, was named as an unindicted co-conspirator. Sources say Mr. Daley has received immunity from prosecution in return for his testimony.

The indictment alleges that in 1981, Y&R paid kickbacks to the two Jamaicans in return for their influence in obtaining for Y&R the tourism board's $8 million-to-$10 million ad account.

The agency was awarded the account in 1981 and went on to create the well-known "Come back to Jamaica" campaign.

Y&R kept the business this year after a review.

In addition, the defendants allegedly created a sham ad agency known as Ad Ventures in the Cayman Islands to conceal the kickback scheme.

Y&R says the charges are "based on speculation and innuendo and are without substance or merit."

Y&R then entered into a consulting contract with Ad Ventures "so as to provide an ostensibly legitimate reason for the kickback payments," said Stanley A. Twardy Jr., U.S. Attorney for Connecticut.

The government is also asking Y&R to forfeit its gross profits on the Jamaica account, about $3.75 million, and for the Jamaican defendants to forfeit the alleged kickbacks, allegedly totaling about $900,000.

If convicted of conspiracy, Messrs. Klein and Spangenberg could be imprisoned for up to five years and fined $250,000, while Y&R could be fined $500,000.

RICO charges carry a maximum sentence of 20 years imprisonment and a $250,000 fine upon conviction for individuals and a possible $500,000 fine for companies. Perjury charges carry a maximum penalty of five years imprisonment and a fine of $250,000.

In a statement, Y&R said the charges were "based on speculation and innuendo and are without substance or merit."

"What they have done is they've labeled each and every payment to Ad Ventures a

(Continued on Page 68)

ANA members set to defend brand equity

By Judann Dagnoli and Julie Liesse Erickson

HOT SPRINGS, Va.—Brand equity is under attack, and advertisers are fighting back.

That was the message at the 80th annual meeting of the Association of National Advertisers here Oct. 1 to 4, where 350 marketers warned that regulatory forces, retailer power, bottom-line focus and climbing media costs are squeezing ad budgets and jeopardizing brands.

"We're less concerned than we were last year about the 'grossed-up' issues, like megamergers and agency compensation, and more concerned about market issues," said Kim Armstrong, director of advertising and promotions for AT&T Co. and chairwoman of the ANA Committee on Nominations.

Marketers blamed themselves for consumers' waning confidence in advertising, a factor that's hurting brands.

■ For pictures of ANA's gathering and a chat with new Chairman John Ruhaak, see Page 70.

Outgoing ANA Chairman and Owens-Corning Fiberglas Corp. VP Joseph Doherty said the industry should take stronger public stances on such issues as tobacco, liquor and political advertising to help change the public's view of the industry as "snake oil salesmen."

This "tendency to be wary of advertising is something we ought to heed seriously," he said.

Perhaps the single biggest threat to brand equity is promotional spending, including slotting allowances paid to retailers to gain shelf space, executives said.

One ANA source said several

(Continued on Page 70)

At the Association of National Advertisers' annual meeting, the new chairman of the group, John Ruhaak (2nd l.), VP-advertising and promotion at United Airlines, joins past chairmen Kim Armstrong, AT&T Co., and Joseph Doherty (2nd r.), Owens-Corning Fiberglas Corp., and DeWitt Helm Jr., ANA president.

LAST MINUTE NEWS

Lord Geller case settled

NEW YORK—Lord Einstein O'Neill & Partners late Friday agreed to pay $7 million to WPP Group in an unexpected settlement of WPP's lawsuit against the breakaway agency in New York state Supreme Court. In a terse statement, WPP said its Lord, Geller, Federico, Einstein agency, Lord Einstein and Young & Rubicam, which owns 49% of Lord Einstein, agreed to drop all claims. "The settlement does not suggest admission of wrongdoing by any of the parties and is intended to avoid the expense and distraction that would accompany continued litigation," the statement said.

Philip Reiss, an attorney for WPP and Lord Geller, said he was "very pleased" with the settlement but declined to comment further. Under the out-of-court settlement, the parties aren't allowed to discuss or reveal exact terms of the deal, such as whether Lord Einstein can now solicit clients or employees of Lord Geller. The case stemmed from the March 18, 1988, walkout by six top Lord Geller executives, who left to form Lord Einstein. Lord Einstein subsequently hired 60 Lord Geller employees and was awarded two Lord Geller accounts.

Coke revisits 'Hilltop'

ATLANTA—Coca-Cola Co. has shot an updated version of its celebrated

(Continued on Page 8)

INSIDE

Feeling energized ..... P. 16
Reader's Digest Association focuses on international growth.

New connection ..... P. 24
Bell Atlantic introduces actor James Earl Jones to his first on-camera ad role.

Ad fantasy ..... P. 29
David Hale's dream comes true through Burger King's new radio campaign.

Saatchi surge

Stock soars; takeover rumors fly

By Laurel Wentz and Gary Levin

As Saatchi & Saatchi Co.'s stock price soared Friday, contradictory rumors had the London-based company facing increased investment by a U.S. financial institution and/or an imminent takeover bid.

On Friday, 10.2 million shares —or about 6% of the company's outstanding common stock—were traded in London, where Saatchi shares closed at 342 pence, up from 300 pence at the start of the trading day. In New York Stock Exchange trading, Saatchi closed at $17.25, up $2.13.

A Saatchi executive said the company wouldn't comment on price-sensitive information.

For a few hours, the financial community was on the alert for a takeover bid for Saatchi from Adia, a Lucerne, Switzerland-based recruitment services group, reportedly considering a 375 pence-per-share bid.

Analysts said Adia is interested in expanding in the business services sector. Earlier this year, the company bought Inspectorate, a London-based service company dealing with inspections and security control and personnel. In the U.S., Adia owns Tempworld and Comp-u-staff temporary-help companies.

No bid materialized before the London and New York markets closed, and analysts familiar with Adia said the Swiss company had looked over Saatchi's consulting companies, up for sale since June, and decided not to buy any of them *(see related story on Page 40)*. Adia officials couldn't be reached for comment.

Another scenario: Memphis, Tenn.-based Southeastern Asset Management, an investment house, was increasing the 10.2% stake it took in Saatchi last month, said Chris Akers, an analyst at Citicorp Scrimgeour Vickers.

Southeastern Chairman Mason Hawkins said he had no comment on speculation his company had increased its Saatchi holdings. "Public filing will have to answer that question," he said. Southeastern is Saatchi's largest shareholder. The company has maintained it's increased its Saatchi shares as an investment.

Old reports also resurfaced: a possible takeover bid by Dentsu, Tokyo; a management-led buyout of Backer Spielvogel Bates Worldwide, New York, by Backer Chairman Carl Spielvogel, backed by Prudential Bache Securities, and "greenmail" by Robert Jacoby, the former chairman of Ted Bates Worldwide.

Mr. Jacoby, who was ousted shortly after Saatchi acquired Bates in 1986, said he hadn't purchased any Saatchi shares recently. In fact, he said, he sold his stake of 300,000 Saatchi American Depositary Receipts last month at $15.75 each. He said he bought them in March at $14.50, so the sale earned him a $375,000 profit.

WPP Group chief executive and Saatchi archrival Martin Sorrell, asked whether he was interested in any Saatchi properties, said, "I have my own organization to run."

At least eight rumors were circulating in London on Friday afternoon, and Mr. Akers predicted the least likely was an Adia bid.

Andrew Wallach, analyst at Drexel Burnham Lambert, said, "I think it could happen eventually, but it's unlikely right now, at least until they square away their consulting sale." □

Jon Lafayette in New York contributed to this story.

Mountain Dew sports new rival to Gatorade

By Patricia Winters

Pepsi-Cola Co. is going after Gatorade.

The soft drink giant is testing new Mountain Dew Sport, positioned against the longtime sports-drink leader from Quaker Oats Co.

Mountain Dew Sport, introduced in Eau Claire and Menomonie, Wis., two weeks ago, is a low-carbonated drink with sodium, potassium and chloride, ingredients that restore body fluids lost during and after sports-related activities. It also contains vitamin C.

The product comes in yellow-and-white 16-ounce bottles and cans priced competitively with soft drinks at 59¢. A wide-mouth 32-ounce bottle, mimicking one of Gatorade's packages, retails for 95¢, comparably priced with the leader.

Diet and regular versions are offered.

"We're always looking for opportunities, and research shows there is a growing market for sports-oriented beverages," said Jeffrey Brown, manager-public relations at Pepsi. "It's designed for quick refreshment during and immediately after activities but not just sports and exercise activities. It's also refreshment related to activities such as mowing the lawn."

Pepsi is putting heavy ad support behind the test, including TV, radio, outdoor boards, page newspaper ads, coupons, direct mail and point of purchase.

A catalog, offering reduced prices on merchandise with Mountain Dew Sport proofs-of-purchase, was sent to 100,000 households in the test areas.

Ad spending is at a national rate equivalent to between $10 million and $20 million, trade sources say. Quaker spent $26 million on Gatorade in national measured media last year.

Mountain Dew Sport advertising, from BBDO Worldwide, New York, relies on Pepsi's underdog style by subtly taking a jab at Gatorade without mentioning its name.

"It's designed for quick refreshment during and immediately after activities but not just sports and exercise activities."

The TV spot, filmed in Giants Stadium, uses actors as football players at the end of a winning game. The players lift a huge barrel of Moutain Dew Sport, ready to dump it on the coach's head. Suddenly everyone stops, and a voice-over says, "Tastes so good you won't want to spill a drop."

Gatorade gained national publicity when New York Giants players poured the product on coach Bill Parcells' head during its 1986-87 championship season.

The Mountain Dew Sport spot, themed "Go for it," was directed by Bianchi Films.

Pepsi's test of Mountain Dew Sport demonstrates the company's desire to expand volume by targeting beverage niches.

In a spurt of new-product activity, Pepsi also is testing in Cleveland Pepsi A.M., an increased caffeine product aimed at morning consumption. It's also testing a sparkling water line called H2Oh!.

Pepsi appears to be trying to expand its shelf space beyond the soft-drink aisle in supermarkets. While Mountain Dew Sport is sold next to soft drinks, the product also is in the juice aisle where Gatorade is sold.

The new product has a tough game ahead. Gatorade is the only national competitor, and it's proved so far to be unconquerable.

With $350 million in sales in 1988, Gatorade has been growing 30% annually and owns from 90% to 95% of the sport drink "isotonic" market.

Earlier in the decade, Coca-Cola Foods made an unsuccessful effort with a product called Max. Max, however, was distributed through warehouses, and Pepsi is using its bottler system.

Trade sources say Coca-Cola continues to eye the Gatorade franchise. Coca-Cola markets Sports Aquarius, a sports drink sold by Coca-Cola bottlers in Japan, where it's been very successful.

Rumors have circulated that it's planning a U.S. launch of Sports Aquarius, but Coca-Cola in the past has denied such a move.

Pepsi didn't say how long Mountain Dew Sport will test. Eau Claire is a BehaviorScan test market of Information Resources Inc., possibly one reason Pepsi chose the site, an industry source speculated. □

IN THIS ISSUE

For sale signs: The sale of major department stores could bring marketing chaos. 10

Health rules: The FTC urges the FDA to soften controls on food product health claims. 15

A new playing field: Young & Rubicam turns attention to event marketing. 53

TV time: TV stations track out-of-home viewing in an effort to increase demand for network time. 59

Ad drive: Nissan uses aggressive pricing and a big budget to introduce the restyled Stanza. 62

VIEWPOINT

Considerations 31
Editorials 31
Letters 34
Brady's Bunch 36
James Brady 38
Joe Winski 38
The Next Trend 38

Outdoor
Mergers of major auditing bodies and outdoor companies kick off the section. The report also looks at legislative battles fought at local level and some of the more recent creative outdoor efforts.

Made in the USA: FCB/Leber Katz introduces an American products catalog in Japan. 39

MEDIA

MediaWorks 42

PEOPLE

PeopleWorks 44
People Moving 44
Photo Review 46

Adolph Coors' new Keystone beer campaign would be great if it focused on a real point of distinction without making a condescending appeal to its consumers.

U.S. NewsWatch 20
Corrections & Clarifications 34
Calendar 62
Classified 67
For the Record 67
Index to Advertisers 72

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Reeling retailers

Sales of chains could bring 'chaos'

By Judith Graham

Chicago's "Magnificent Mile," lined with tony merchants, has long symbolized the reign of department stores at the pinnacle of the retail industry.

Today, however, it symbolizes the extraordinary turmoil in that segment of the business.

Consider but a few of the merchants located within blocks of each other on Michigan Avenue:

- Bloomingdale's: up for sale by financially troubled Campeau Corp.
- Bonwit Teller: forced into Chapter 11 reorganization bankruptcy proceedings with parent L.J. Hooker Corp.
- Marshall Field's and Saks Fifth Avenue: up for sale by parent BAT Industries, under threat of a $21.1 billion takeover bid by Sir James Goldsmith.
- I. Magnin & Co.: sold last year to R.H. Macy & Co., whose separate bidding contest for Federated Department Stores helped drive up Federated's price for ultimate victor Campeau.

The long-term implications of this upheaval—for the chains, their competitors, media and manufacturers—are tremendous, retail industry experts say.

"The events in retailing in the last four months have probably been more turbulent than in the past 20 years," said Erich Linker, senior VP-advertising at *The New York Times*. "It's a concern because the normal course of business is being interrupted."

"For the short term, at least through the end of the holidays, it's going to be business as usual. But what's likely to happen after that, when sales of retail chains are actually consummated—it's going to be chaos," said Harry Bernard, exec VP at Colton Bernard Inc., an apparel consulting company.

Experts say the likely long-term results of the changes include a restructuring of supplier-retailer relationships as manufacturers seek to protect themselves against potential retail failures.

"What this entire situation is doing is causing pause on the part of manufacturers and leading them to explore other options," said William Flatley, principal, Kurt Salmon Associates.

Among the alternatives being considered, industry experts say, are more manufacturer-operated retail stores, more manufacturer control in the department store setting and the development of lists of "preferred" retailers, to which manufacturers will throw more business.

"Vendors are asking themselves, 'What stores do I really believe are going to be here and which should I support?' " Mr. Bernard said.

Experts agree smaller manufacturers that lack a strong consumer franchise or clout with store buyers are most vulnerable to the retail upheaval. But even powerful suppliers, faced with the disruption of important distribution channels, could be hurt.

"Our reservations have to do . . . with next spring. We feel the effects could be more long term than short term," said one executive at Giorgio Beverly Hills.

Another long-term effect could be a further erosion in market share for some department stores, whose managements will be distracted by financial concerns.

"I simply don't think they can afford to take advantage of the strengths they have as the grand emporiums, the fashion authorities. They've got to worry too much about cash flow, day in and day out," said Daniel Sweeney, chairman of Management Horizons, a retail consultancy.

Opportunities will increase for well-financed, focused competitors to make inroads.

Among the names most frequently mentioned by sources: Dillard Department Stores, Nordstrom's, May Department Stores Co. and The Limited.

There will also be cutbacks in staffing for in-house retail advertising and promotion departments.

P.A. Bergner & Co. earlier this year acquired Carson Pirie Scott & Co., and "now all the advertising and promotion is done out of Milwaukee," where Bergner is located, said a former retail executive who asked not to be identified. Buckingham Cioffi & Associates, Toronto, had handled TV for Chicago-based Carson's.

There probably will be a shift away from image to more price-item advertising and a closer evaluation of in-store programs as well as external media.

"Whatever doesn't immediately

(Continued on Page 64)

Department stores whose future is uncertain

The turmoil is expected to have broad implications on advertising.

Retailer	Parent company	1988 ad spending (millions)*
Bloomingdale's	Campeau	$29.9
Abraham & Straus	Campeau	25.2
Rich's	Campeau	23.1
Saks Fifth Ave.	BAT	19.7
Stern's	Campeau	16.8
Jordan Marsh	Campeau	15.4
Burdines	Campeau	14.8
Marshall Field's	BAT	8.4
Lazarus	Campeau	7.8
B. Altman	Hooker	6.8
Bonwit Teller	Hooker	4.1
The Bon	Campeau	3.2
Ivey's	BAT	2.2
Maas Brothers	Campeau	0.1
TOTAL		**$177.5**

*All retailers use in-house shops. Bloomingdale's also uses Grey Advertising, Rich's uses Babbit & Reiman, and Maas uses Benito Advertising.

Source: LNA/Arbitron Multi-Media Services

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